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July 31, 2012

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED

JUL 31 2012

PUBLIC SERVICE
COMMISSION

Re: Blaine Municipal Gas System

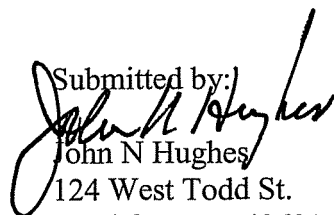
Dear Mr. Derouen:

On July 25, 2012, Kentucky Frontier Gas, LLC entered into a purchase agreement with the city of Blaine, KY to acquire its natural gas system serving approximately 59 customers. A copy of the term sheet is attached. After completion of due diligence, an asset purchase agreement will be executed.

Attached to this notice is an adoption of Blaine's rates by KFG. As of the date of the assumption of the operation of the gas system, it is KFG's understanding that Blaine's rate consists of a \$10.00 per month customer charge and a \$4.00 base rate, plus gas costs.

It is KFG's understanding that no Commission approval of the acquisition is required, because the assets are owned by an unregulated municipality. However, once the acquisition is completed, the gas customers will be assimilated into the current rates and tariffs of KFG.

If additional information is needed, please contact me.

Submitted by:

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Attorney for Kentucky Frontier Gas,
LLC